



U.S. Department of the Interior
Office of Inspector General

AUDIT REPORT

LEGISLATURE RENOVATION PROJECT,
LEGISLATURE OF AMERICAN SAMOA,
AMERICAN SAMOA GOVERNMENT

REPORT NO. 98-I-653
AUGUST 1998



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

AUG 28 1998

Honorable Lutu Tenari S. Fuimaono
President of the Senate
Legislature of American Samoa
P.O. Box 855
Pago Pago, American Samoa 96799

Subject: Audit Report on the Legislature Renovation Project, Legislature of American Samoa, American Samoa Government (No. 98-I-653)

Dear Senator Fuimaono:

This report presents the results of our review of the Legislature renovation project, Legislature of American Samoa, American Samoa Government. The objective of the audit was to determine whether the funds for the renovation work on the Legislature buildings were used in an efficient and effective manner and were properly accounted for and controlled in accordance with applicable laws and regulations.

We found that the Legislature did not use funds appropriated for the renovation project effectively and efficiently and in accordance with applicable laws and regulations. Specifically, the Legislature did not procure contractor services and materials competitively for the initial repair of the roof on the Senate and House Chambers, and it significantly expanded the scope of the renovation project through the issuance of eight change orders during fiscal years 1995 and 1996. In addition, the Legislature did not verify the accuracy or reasonableness of labor and material costs claimed on contractor invoices and did not ensure that the renovation work was inspected for compliance with the American Samoa Uniform Building Code. As a result, the Legislature (1) had little assurance that it received full value for the \$1,001,638 paid for contractor services, construction materials, and equipment; (2) paid at least \$20,036 more for roofing materials than was necessary; (3) overspent project appropriations by at least \$211,025; and (4) had little assurance that the renovated Legislature buildings were in full compliance with building codes.

To correct these conditions, we recommended that you, as the President of the Senate, and the Speaker of the House of Representatives (1) develop and implement written procedures to ensure that all procurements are made in accordance with the American Samoa Code Annotated; (2) amend the Rules of both the Senate and House to establish a joint committee for the purpose of periodically identifying the renovation and repair needs of the Legislature's facilities; (3) request that the Director of the Department of Public Works review the most recent invoice submitted by the contractor to determine whether it is reasonable and reflects the costs incurred by the contractor for the renovation of the Senate

and House Chambers; (4) amend the Rules of both the Senate and House to require all Legislature renovation and construction work to be managed and inspected by the Department of Public Works; and (5) request that the Director of Public Works inspect the renovated Legislature facilities to determine whether the construction work is in compliance with the American Samoa Uniform Building Code.

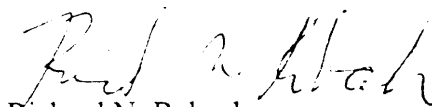
In the July 10, 1998, response (Appendix 4) to our draft report from the Speaker of the House of Representatives, the Legislature concurred with three recommendations (Sos. A. 1, B. 1, and B.2) and nonconcurred with two recommendations (Nos. B.3 and B.4). Based on the response, we consider Recommendations A. 1, B. 1, and B.2 resolved but not implemented. Accordingly, these three recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Although the Legislature nonconcurred with Recommendations B.3 and B.4, the Legislature sufficiently addressed the intent of the recommendations. However, additional information is needed for these recommendations (see Appendix 5).

The Inspector General Act, Public Law 95-452, Section 5(a)(3), as amended, requires semiannual reporting to the U.S. Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement audit recommendations, and identification of each significant recommendation on which corrective action has not been taken.

In view of the above, please provide a response, as required by Public Law 97-357, to this report by September 30, 1998. The response should be addressed to our Pacific Office, 415 Chalan San Antonio, Baltej Pavilion, Suite 306, Tamuning, Guam 96911. The response should provide the information requested in Appendix 5.

We appreciate the assistance of officials of the American Samoa Legislature in the conduct of our audit.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard N. Reback", written in a cursive style.

Richard N. Reback
Acting Inspector General



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

AUG 28 1998

Honorable Mailo Sao T. Nua
Speaker, House of Representatives
Legislature of American Samoa
P.O. Box 485
Pago Pago, American Samoa 96799

Subject: Audit Report on the Legislature Renovation Project, Legislature of American Samoa, American Samoa Government (No. 98-I-653)

Dear Speaker Nua:

This report presents the results of our review of the Legislature renovation project, Legislature of American Samoa, American Samoa Government. The objective of the audit was to determine whether the funds for the renovation work on the Legislature buildings were used in an efficient and effective manner and were properly accounted for and controlled in accordance with applicable laws and regulations.

We found that the Legislature did not use funds appropriated for the renovation project effectively and efficiently and in accordance with applicable laws and regulations. Specifically, the Legislature did not procure contractor services and materials competitively for the initial repair of the roof on the Senate and House Chambers, and it significantly expanded the scope of the renovation project through the issuance of eight change orders during fiscal years 1995 and 1996. In addition, the Legislature did not verify the accuracy or reasonableness of labor and material costs claimed on contractor invoices and did not ensure that the renovation work was inspected for compliance with the American Samoa Uniform Building Code. As a result, the Legislature (1) had little assurance that it received full value for the \$1,001,638 paid for contractor services, construction materials, and equipment; (2) paid at least \$20,036 more for roofing materials than was necessary; (3) overspent project appropriations by at least \$211,025; and (3) had little assurance that the renovated Legislature buildings were in full compliance with building codes.

To correct these conditions, we recommended that you, as the Speaker of the House of Representatives, and the President of the Senate (1) develop and implement written procedures to ensure that all procurements are made in accordance with the American Samoa Code Annotated; (2) amend the Rules of both the Senate and House to establish a joint committee for the purpose of periodically identifying the renovation and repair needs of the Legislature's facilities; (3) request that the Director of the Department of Public Works review the most recent invoice submitted by the contractor to determine whether it is reasonable and reflects the costs incurred by the contractor for the renovation of the Senate

and House Chambers; (4) amend the Rules of both the Senate and House to require all Legislature renovation and construction work to be managed and inspected by the Department of Public Works; and (5) request that the Director of Public Works inspect the renovated Legislature facilities to determine whether the construction work is in compliance with the American Samoa Uniform Building Code.

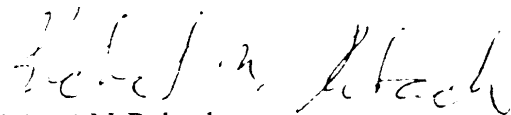
In the July 10, 1998, response (Appendix 4) to our draft report from you, as the Speaker of the House of Representatives, the Legislature concurred with three recommendations (Nos. A. 1, B. 1, and B.2) and nonconcurred with two recommendations (Nos. B.3 and B.4). Based on the response, we consider Recommendations A. 1, B.1, and B.2 resolved but not implemented. Accordingly, these three recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. Although the Legislature nonconcurred with Recommendations B.3 and B.4, the Legislature sufficiently addressed the intent of the recommendations. However, additional information is needed for these recommendations (see Appendix 5).

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We appreciate the assistance of officials of the American Samoa Legislature in the conduct of our audit.

Sincerely,

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Richard N. Reback
Acting Inspector General

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INTRODUCTION

BACKGROUND

The Legislature of American Samoa was established by the Constitution of American Samoa as the third branch of the American Samoa Government. The Legislature has an 18-member Senate and a 21-member House of Representatives. Under Section 10.0603 of the American Samoa Code Annotated, the Legislature has full authority and control over the request, approval, and disbursement of funds in its budget. However, Section 12.0208 of the American Samoa Code Annotated requires that the Legislature procure all supplies, equipment, and construction services through the Executive Branch's Procurement Office, which is the central procurement agency for the American Samoa Government. Both the Senate and the House of Representatives have their own Rules, which govern their internal operations. Under the respective Rules, the President controls the operations of the Senate and the Speaker controls the operations of the House of Representatives. The overall fiscal operations of the Legislature are managed by the Legislative Financial Officer, whose position was established by Section 2.0601 of the American Samoa Code Annotated.

The Legislature is housed in three buildings that were constructed in 1972: the Senate and House Chambers, which includes the administrative offices; the Senate Office Building, which has individual offices for each of the Senators; and the House Office Building, which has individual offices for each of the Representatives. In addition, there are two auxiliary buildings that are used for meetings and social functions of the Legislature: one referred to as the Guest Fale¹ and the other referred to as the House Coffee Fale. All of the buildings except the Guest Fale are connected by a series of covered walkways.

Since 1991, the roofs of all of the buildings in the Legislative complex have needed to be repaired as a result of damage sustained from two hurricanes. Accordingly, the Legislature's fiscal year 1995 budget provided a \$300,000 appropriation to repair the roof of the Senate and House Chambers. In October 1994, the former President of the Senate and the former Speaker of the House requested that the Chief Procurement Officer for the American Samoa Government waive the bidding requirements and allow the award of a sole source contract to replace the shingles on the roof of the Senate and House Chambers. The justification for the waiver stated that the roof needed to be repaired before the first session of the 24th Legislature was convened on January 9, 1995.

Pursuant to a declaration of emergency issued by the Governor, the sole source selection of a contractor was approved, with an initial contract of \$78,000. The roofing contractor was to provide the labor and equipment, and the building materials were to be purchased through the Procurement Office. Although contractor payments had to be processed through the Procurement Office, the Legislature performed the construction management functions of directing the contractor's work, approving invoices, and initiating contract change orders.

¹"Fale" (pronounced *fa'-lee*) is the Samoan word for house.

After the roof repairs were started, the Legislature changed the scope of work because the contractor had determined that the beams supporting the roof needed to be replaced and the Legislature added other unplanned work on the other buildings in the complex. As of October 31, 1997, funding for the project had been increased from \$300,000 to \$1,415,000 and expenditures totaled \$1,626,025, for a cost overrun of \$211,025 (see Appendix 2).

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether funds for the renovation work on the Legislature buildings were used in an efficient and effective manner and were properly accounted for and controlled in accordance with applicable laws and regulations. To accomplish our objective, we interviewed officials and reviewed applicable renovation project financial and administrative records at the American Samoa Legislature, Procurement Office, Office of the Treasurer, Department of Public Works, and Archive Office. We also interviewed contractor personnel concerning the renovation project. Our review covered the period of October 1994 through October 1997. However, because the Legislature's accounting records were incomplete, we were unable to specifically match expenditures for materials purchased through the Procurement Office to specific work performed during the renovation project.

The audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

As part of the audit, we evaluated accounting and management controls over appropriations, expenditures, and construction management. We found major internal control weaknesses in all three areas. The internal control weaknesses are discussed in the Findings and Recommendations section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

PRIOR AUDIT COVERAGE

During the past 5 years, the General Accounting Office did not issue any audit reports pertaining to the American Samoa Legislature. However, in March 1996, the Office of Inspector General issued the audit report "American Samoa Legislature, American Samoa Government" (So. 96-I-533), which stated that the Legislature had not procured goods and services competitively. During our current review, we found that the Legislature had developed written procurement procedures but that the draft procedures were not sufficiently detailed to ensure that the Legislature complied with the procurement requirements set forth in the American Samoa Code Annotated.

FINDINGS AND RECOMMENDATIONS

A. PROCUREMENT

The Legislature did not procure contractor services and materials for the renovation project competitively. Specifically, the Legislature improperly procured the services of a roofing contractor by using emergency procurement provisions of the American Samoa Code Annotated and bypassed the Procurement Office by procuring roofing materials directly from a vendor on a sole source basis. These conditions occurred because the Legislature did not have adequate written procedures to ensure that contractor services and materials were procured in accordance with the American Samoa Code Annotated. As a result, the Legislature had little assurance that it received full value for the \$244,275 paid for contractor services related to the roof repair contract (see Appendix 3). Additionally, the Legislature paid \$20,036 more than was necessary for roofing materials.

Contractor Services

Based on our review of the Legislature's renovation project records, we determined that the Legislature had been aware, since 1991, that the roofing shingles and the supporting beams of the Senate and House Chambers needed to be replaced. However, funding for the repairs was not appropriated until fiscal year 1995, when the Legislature's budget included a \$300,000 appropriation for roof repairs. The appropriation act stated that the funds were needed to repair the roof of the Senate and House Chambers to prevent further damage to the structure. In an October 19, 1994, letter to the Chief Procurement Officer, the former President of the Senate and the former Speaker of the House for the 24th Legislature requested a waiver of the American Samoa Procurement Rule's competitive bidding requirements for hiring contractors and stated that the scope of the required work would be limited to replacing the roofing shingles. The former President and the former Speaker stated in their letter that the "building desperately needed a reroofing job since 1991." The letter also stated that the repairs needed to be completed by the end of December 1994 and that the work should begin immediately to prevent any further damage to the building's roof and interior. The Legislative Financial Officer told us that the Legislature informally polled contractors and had identified a contractor who would replace the shingles for \$78,000.

As a result of the former President's and former Speaker's request for a waiver, the Governor of American Samoa intervened and directed the Chief Procurement Officer, on November 4, 1994, to treat this procurement as an emergency procurement as authorized by Section 12.0213 ("Emergency Procurement") of the American Samoa Code Annotated. The Governor's intervention allowed the Chief Procurement Officer to issue a sole source contract to the contractor selected by the Legislature for labor and equipment needed to make the repairs. The Governor also directed the Procurement Office to procure all materials needed for making the roof repairs. On October 31, 1994, a sole source contract for \$78,000 was issued to the roofing contractor to replace the shingles, with a completion date of March 31, 1995. However, because of technical flaws found (for example, the contract was

not signed by the Chief Procurement Officer, and Public Works was incorrectly shown as the "Architect/Engineer") in the original contract, a new contract was executed on December 5, 1994. On November 14, 1994, the contractor began making the roof repairs. Once the contractor removed the old shingles and exposed the rotted supporting beams, the contractor advised the former President that the beams would have to be repaired or replaced before the new shingles could be installed. As a result, Contract Change Order 001 was issued on July 20, 1995, for \$166,275 to cover the additional work, and the project completion date was extended to August 31, 1995.

In our opinion, the use of sole source emergency procurement procedures for the roof repair contract was not proper. Section 12.0213 of the American Samoa Code Annotated states, "[T]he Governor may make or authorize a governmental agency to make emergency procurements when there exists a threat to public health, welfare, or safety under emergency conditions [but that] [a]n emergency procurement must be competitive as practicable under the circumstances." However, the roof of the Senate and House Chambers had been leaking water since 1991, and its deteriorated condition was not the result of a sudden or emergency situation but the result of the roof not being repaired in 1991, when the problem was first detected. In addition, the Legislative Financial Officer told us that each year since 1991, the Legislature had to replace portions of the interior ceilings of the Senate and House Chambers because water leaking through the roof collected on top of the ceiling and then caused parts of the ceiling to fall down. Further, based on a listing of licensed contractors maintained by the Department of Public Works, we determined that at least four other local contractors were capable of repairing the roof of the Senate and House Chambers. Therefore, we believe that the procurement of contractor services should have been made competitively.

Roofing Materials

At the beginning of the renovation project, the Procurement Office had requested price quotations from vendors for materials that were needed to repair the roof of the Senate and House Chambers. On November 10, 1994, the Procurement Office issued a purchase order to the lowest bidder in the amount of \$66,680. However, the Legislature had ordered identical roofing materials on October 26, 1994, directly from the highest bidder at a cost of \$86,716, thus bypassing the Procurement Office.

In accordance with Section 12.0208 of the American Samoa Code Annotated, the Chief Procurement Officer is the central procurement official for the American Samoa Government and is responsible for procuring all construction goods and services for the Government. Therefore, the Legislature had no authority to purchase materials directly from vendors. When the Chief Procurement Officer learned that the Legislature had purchased the roofing materials, he wrote a letter, dated January 12, 1995, to both the former President of the Senate and the former Speaker of the House in which he stated, "May I remind you that this office [Procurement Office] has done its part in procuring these materials in accordance with the law and any material delivered by any supplier is an illegal procurement and ASG [American Samoa Government] is not obligated to pay." However, because of the subsequent expansion of the renovation project, the roofing materials ordered by the

Legislature were also needed. Thus, the Procurement Office, at the direction of the Governor, paid the second invoice for roofing materials in the amount of \$86,716, which was \$20,036 higher than the cost of the identical roofing materials purchased by the Procurement Office using competitive procurement procedures.

During the audit, we determined that the Legislature had prepared draft procurement procedures in response to our March 1996 audit report "American Samoa Legislature, American Samoa Government" (No. 96-I-533). However, we determined that the draft procedures provided only general instructions and did not include sufficient details to ensure that all procurement actions would be processed in accordance with the American Samoa Code Annotated. The draft procedures did not specify the forms to be used, the internal document flow, and the required approvals and did not include a requirement that all procurement actions should be processed by the Procurement Office. To resolve this deficiency, we believe that the Legislature should develop detailed written procedures to ensure that all procurements are conducted in accordance with the requirements set forth in the American Samoa Code Annotated.

Recommendation

We recommend that the Legislature of American Samoa develop and implement detailed written procedures to ensure that all procurements are made in accordance with the American Samoa Code Annotated. The procedures should specify the forms to be used, the internal document flow, and the required approvals and include a requirement that all procurement actions should be processed by the Procurement Office.

Legislature of American Samoa Response and Office of Inspector General Reply

In the July 9, 1998, response (Appendix 4) to the draft report from the Speaker of the House of Representatives, the Legislature concurred with the recommendation and provided additional comments to support its actions during the renovation. Based on the response, we consider the recommendation resolved but not implemented (see Appendix 5).

Legislature of American Samoa Response. The Legislature stated:

On the contrary [to the audit report], the Legislature fully enjoys its newly renovated buildings. It has provided a safe and better working environment for everyone. The project also adds another 5 to 10 years of useful life to these old deteriorated buildings. It further removes an emotional and physical hardship experienced by Legislature leaders because of damages sustained from these leaky buildings, which are over 20 years old.

The Legislature also stated that once the contractor had removed the "rotten shingles" to the Senate and House Chambers building and the "rotted beams" were exposed, the Legislature was "forced" to issue a series of change orders and appropriate more funds to cover the

additional work. Further, the Legislature stated that the former President of the Senate's decision to renovate the existing Legislature buildings as opposed to building new facilities justified the Governor's use of the Emergency Procurement provisions of the American Samoa Code. The Legislature also stated that the purchase of shingles by the former Speaker was the result of a "verbal mis-communication" between the former Speaker and the Governor but that the additional shingles "turned out in favor of the Legislature" because the scope of the work was subsequently expanded to include the roofs of other Legislature buildings and the additional shingles were used for that purpose.

Office of Inspector General Reply. Contrary to the inference that the audit ignored the need for repairs to the Legislature's buildings, our report takes issue not with the need for the repairs but with the manner in which the repairs were planned and the project was expanded to cover other facility repairs. If the project had been properly planned from its beginning, with consideration for all necessary repairs instead of just the roof repairs to one building, the construction services could have been procured using competitive procurement procedures that we believe would ultimately have saved American Samoa Government funds.

We found that the presence of rotten beams was identified as a problem by key Public Works personnel and the roofing contractor before any of the old shingles were removed. For example, a Department of Public Works architect stated that during an inspection of the Senate and House Legislative Chambers in 1992, he was able to "poke holes" in the beams and that it was clear that the beams would have to be repaired. Also, the roofing contractor stated in a April 5, 1995, letter to the President of the Senate. "It was evident at the start of the project that satisfaction of contract conditions would be impossible without repairing the beams." Even though the exact scope of beam replacement that would be required was not known, we believe that the Legislature should have anticipated that the repair of the roof would require more extensive work than just the replacement of the shingles. As such, a request for bids covering both the replacement of the shingles and the beams could have been processed through the Procurement Office as one complete job.

Regarding the "emergency procurement," the Legislature's October 19, 1994, letter to the Chief Procurement Officer requesting an exception to the bidding process stated that the Senate and House Chambers building "desperately needed a roofing job since 1991," but it did not reference a need to renovate all of the Legislature buildings. In addition, the Governor's letter to the Chief Procurement Officer invoking the emergency procurement provisions makes reference only to the need to re-shingle the Senate and House Chambers building. with no reference, directly or indirectly, to a scope of work that included roofing or renovation work for other Legislature buildings.

Lastly, we disagree with the Legislature's conclusion that the duplicate order of shingles was favorable to the Legislature. Although the contractor was able to use the duplicate materials, we do not believe that the purchase of roofing materials at a cost of \$20,026 more than the price obtained through the Procurement Office can be interpreted as being favorable to the Legislature. In addition, an order for roofing materials for the entire project could have been placed with the lowest bidder.

B. PROJECT PLANNING AND MANAGEMENT

The Legislature did not effectively plan for and manage the expansion of the renovation project. Specifically, the Legislature (1) undertook a major renovation of the Legislature's buildings without identifying the required scope of work, estimating project costs, and determining funding needs; (2) did not verify the accuracy of contractor billings; and (3) did not ensure that the contractor's work was inspected. These conditions occurred because the Legislature did not have written policies and procedures to ensure that renovation projects were adequately planned and managed. As a result, the Legislature noncompetitively procured contractor services costing \$757,363; overspent appropriated funds by at least \$211,025; and had little assurance that contractor billings totaling \$1,474,734 for labor, equipment, and materials were correct and that the construction work was performed in accordance with building codes.

Project Planning

The Legislature did not adequately plan for the renovation of the Legislature buildings. Specifically, the Legislature expanded the scope of work after the initial noncompetitive roofing contract was issued through a series of contract change orders and appropriated funds to cover the additional work. This occurred because the Legislature (1) did not have written procedures for identifying the maintenance and renovation needs of its facilities, estimating the associated costs, and determining funding needs and (2) did not obtain technical assistance from the Procurement Office and Department of Public Works, which had the technical expertise needed to adequately plan for the renovation project. As a result, the Legislature expended \$757,363 for contractor services (see Appendix 3) with little assurance that it received full value for the funds expended and overspent project appropriations by at least \$211,025 (see Appendix 2).

The American Samoa Procurement Act of 1983 (Title 12, Chapter 2, of the American Samoa Code Annotated) and the Procurement Rules require the Chief Procurement Officer to procure all construction services for the American Samoa Government. However, after the Governor authorized the use of emergency procurement procedures for the initial sole source contract to repair the roof of the Senate and House Chambers and instructed the Procurement Office to procure all construction materials needed for the project as requested by the Legislature Financial Officer, the Procurement Office's role in the renovation project was limited primarily to determining whether the Legislature had encumbered sufficient funds before approving payment of contractor invoices.

During the period of September 25, 1995, through August 22, 1996, the former President and the former Speaker expanded the scope of the noncompetitive roofing contract (as amended by Contract Change Order 001, dated July 20, 1995) through the issuance of seven additional contract change orders, totaling \$742,888 (see Appendix 3). The change orders included work for replacing shingles on the roofs of the Senate Office Building, the Guest Fale, the House Coffee Fale, and covered walkways between the Legislature buildings and for replacing the exterior and interior walls of the Guest Fale and the Senate and House

Chambers and portions of the Senate Office Building. However, according to the contractor, none of this additional work was discussed with him when he was asked to submit the initial proposal to replace the shingles on the Senate and House Chambers. In addition to the seven contract change orders, the current Speaker noncompetitively procured the services of another contractor to renovate the interior of the House Coffee Fale and the restrooms in the House Office Building at a cost of \$22,750. Therefore, the total amount of noncompetitive procurements for renovation work beyond the original scope of the project to repair the roof of the Senate and House Chambers was \$757,363. The contract change orders are discussed in the paragraphs that follow.

Change Orders 002 and 003. While the contractor was repairing the roof of the Senate and House Chambers (see Finding A), the former President directed the contractor to start repairing the roofs of both the Guest Fale and the Senate Office Building. This resulted in the issuance, on September 25, 1995, of Contract Change Order 002, in the amount of \$53,000.² Subsequently, the roof repairs to the Guest Fale and the Senate Office Building developed into a complete renovation of the Guest Fale and portions of the Senate Office Building. As a result, on December 6, 1995, the Legislature issued Contract Change Order 003, in the amount of \$67,000, for the renovation of the interior and exterior of the Guest Fale and the Senate Office Building. The Legislative Financial Officer told us that, although the roofs of both the Guest Fale and the Senate Office Buildings leaked, he “had no idea” that the fomler President and fomler Speaker wanted to perform a renovation of this magnitude.

Change Order 004. The fomler President and the fomler Speaker further expanded the renovation of the Legislature buildings through the issuance, on January 3 1, 1996, of Contract Change Order 004. Specifically, this change order authorized, at a total cost of S 19,888, the replacement of the roof of the walkways between the Legislature buildings and the renovation of the restrooms and the coffee room in the Senate Office Building.

Change Orders 005 Through 008. In January 1996, the former President and the fomler Speaker requested that the Department of Public Works prepare an estimate of the cost to renovate the interior and exterior (excluding the roof) of the Senate and House Chambers. Although Public Works submitted a cost estimate in March 1996 for \$529,700, the Legislature paid the contractor a total of \$603,000 for the renovation work. As the contractor submitted invoices for the renovation work, the Legislature encumbered funds to pay the invoices through the issuance of Contract Change Orders 005, 006, 007, and 008, for a total of \$603,000. In addition, on December 11, 1996, the contractor submitted another invoice for \$495,846 for further work that w as performed on the interior and exterior of the Senate and House Chambers, thus bringing the total cost of this phase of the renovation project to S 1,098,846. However, the Legislature did not issue a contract change order for this

² Although Contract Change Order 002 was executed in the amount of \$53,000, the contractor’s invoices for work under this change order totaled \$34,725.

final invoice, and, as of March 17, 1998, the Procurement Office had not paid the contractor \$395,846³ of the \$495,846 shown on the invoice.

Cost Overrun. As a result of the unplanned escalation of work through the Legislature's verbal authorization of additional work and subsequent issuance of contract change orders, the appropriations for the renovation project were overexpended by \$211,025. Section 10.0601 of the American Samoa Code Annotated prohibits the overexpenditure of appropriations and provides that such overexpenditures could result in disciplinary action or possible legal prosecution against the offenders. Our March 1996 audit report "American Samoa Legislature, American Samoa Government" (No. 96-I-533) identified the overexpenditure of appropriations as a continuing problem and reported that Legislature officials stated that the overexpenditures occurred because the Government's accounting system did not provide timely expenditure information. Although deficiencies in the accounting system may have contributed to the overexpenditure of appropriations for the renovation project, we believe that the primary cause of the overexpenditures was that the Legislature did not adequately plan for and control the project by (1) identifying and prioritizing the full scope of repair and renovation work needed, (2) preparing realistic cost estimates, (3) appropriating funds based on the planned work, and (4) monitoring and controlling the project through the contract.

As a result of not adequately planning for the renovation project, the Legislature did not have cost estimates that could be used to determine the amount of funding that would be needed for the project. Consequently, as of the end of fiscal years 1995, 1996, and 1997 and as of October 31, 1997, the renovation project had cost overruns of \$52,187, \$320,974, \$132,241, and \$211,025, respectively (see Appendix 2). In addition, if the contractor is paid the \$395,846 balance due (\$495,846 minus the \$100,000 advance payment) on the December 11, 1996, invoice, the renovation project will have a total cost overrun of \$606,871.

Project Management

The Legislature did not verify the accuracy of charges shown on invoices submitted by the contractor and did not ensure that the contractor's work was inspected by the Department of Public Works to determine whether the construction work was in compliance with the American Samoa Uniform Building Code. These conditions occurred because the Legislature did not have adequate written procedures for verifying the costs shown on vendor invoices and ensuring that construction work was inspected by the Department of Public Works. As a result, the Legislature had little assurance that contractor billings totaling \$1,474,734 for materials, equipment, and labor were proper; that the buildings were safe for occupancy; and that the construction work was in compliance with building codes.

³On September 23, 1997, the contractor requested the Governor to provide a partial payment of \$100,000 because of the contractor's "financial hardship." The Governor approved the contractor's request on the same day. However, because the American Samoa Government was experiencing a cash shortage, the contractor was paid \$50,000 on September 25, 1997, and an additional \$50,000 on October 31, 1997.

Under the terms of the initial contract, the contractor was to provide only labor and equipment, and the Procurement Office was responsible for procuring the construction materials. However, because of delays in procuring materials for later phases of the renovation project through the Procurement Office, on March 7, 1996, the Governor authorized the contractor to purchase construction materials directly from vendors and bill the Legislature. However, based on our review of the contractor's invoices, we found that (1) the contractor typically showed on the invoices only a total dollar amount, with no detailed information regarding the labor, equipment, and materials used on the renovation project, and (2) the Legislature typically approved contractor invoices for payment without question and without verification of the amounts billed by the contractor.

During the period of December 5, 1994, through December 11, 1996, the Legislature received from the contractor 21 invoices,⁴ totaling \$1,474,734. We examined all 21 invoices to determine whether the amounts claimed by the contractor for labor, equipment, and materials were adequately supported. We found that none of the invoices provided sufficient information to permit the Legislature to determine whether the charges shown on the invoices were proper. Specifically, the descriptions of charges on 20 of the 21 invoices were shown in general terms such as "labor" (4 invoices, totaling \$68,000); "labor and equipment" (5 invoices, totaling \$122,000); "labor, equipment, and materials" (5 invoices, totaling \$185,888); and "labor and materials" (6 invoices, totaling \$603,000). Although the description of charges shown on the December 11, 1996, invoice for \$495,846 provided more information than the other 20 invoices, the description, in our opinion, did not provide sufficient information to allow the Legislature to determine whether the charges were reasonable. In addition, there was no evidence in the files to show that the Legislature questioned or attempted to verify the accuracy of the invoices before payment was approved. For example:

- The contractor submitted to the Legislature an invoice dated February 21, 1996, for 960,000 for "labor and materials." Although the construction materials included in this invoice were purchased by the contractor before the Governor authorized the contractor to purchase materials for the renovation project, the Legislature approved the invoice without determining why the contractor purchased the materials, what materials had been purchased, and whether the labor charges were reasonable.

- The contractor submitted an invoice dated May 6, 1996, for \$80,000 for "labor and materials." However, the Legislature did not require the contractor to provide documentation to support the amount of labor and material charges shown on the invoice.

Because the Legislature did not have project management expertise, the contractor was allowed to perform renovation work, including structural repairs, plumbing, and electrical work, without any assurance that the work was in compliance with the American Samoa

⁴The 21 invoices consisted of 6 invoices for the initial contract to repair the roof of the Senate and House Chambers; 14 invoices for Contract Change Orders 001 through 008; and the invoice submitted by the contractor on December 11, 1996, for \$495,846.

Uniform Building Code. Title 26, Section 1004, of the American Samoa Code Annotated states that the Department of Public Works is responsible for monitoring all public and private sector construction, including building renovations, to ensure compliance with the Uniform Building Code. However, we found that the Legislature did not have any written procedures to ensure that construction work was inspected by the Department of Public Works.

In our opinion, the problems identified with the renovation project could have been avoided if the Legislature had developed adequate written procedures for identifying the complete scope of renovation work needed, planning the work, estimating project costs, and determining funding needs. In addition, we believe that the Legislature should form a committee responsible for determining the future renovation and repair work needed by all of the Legislature's facilities and for preparing periodic reports which describe the work that should be performed, including tentative schedules and estimated costs. The committee should also be required to obtain assistance from the Department of Public Works in determining renovation and repair needs, assisting in the preparation of the reports, and conducting project inspections during construction work.

Recommendations

We recommend that the Legislature of American Samoa:

1. Request the Director of the Department of Public Works and the Chief Procurement Officer to review the December 11, 1996, invoice for \$495,846 submitted by the contractor to determine whether it is reasonable and reflects the costs incurred by the contractor for the renovation of the Senate and House Chambers. If information on the invoice is not adequate, additional information should be requested from the contractor to make such a determination.
2. Request the Director of the Department of Public Works to perform an inspection of the renovated Legislature facilities and determine whether the construction work was in compliance with the American Samoa Uniform Building Code. If the Department of Public Works determines that the construction work was not in compliance with the Code, the contractor should be required to correct the noted deficiencies.
3. Amend the Rules of both the Senate and the House of Representatives to establish a joint standing committee for the purpose of periodically identifying the Legislature's renovation and repair needs, developing annual cost estimates for the planned work, and determining funding needs and sources.
4. Amend the Rules of both the Senate and the House of Representatives to require that all future Legislature renovation and construction work be managed and inspected by the Department of Public Works and that the Legislature obtain technical assistance from the Procurement Office during the design and contracting phases of construction projects.

Legislature of American Samoa Response and Office of Inspector General Reply

In the July 9, 1998, response (Appendix 4) to the draft report from the Speaker of the House of Representatives, the Legislature concurred with Recommendations 1 and 2 and nonconcurred with Recommendations 3 and 4. The Legislature also expressed disagreement with some of the statements contained in the finding. Based on the response, we consider Recommendations 1 and 2 resolved but not implemented and request that the Legislature provide additional information for Recommendations 3 and 4 (see Appendix 5).

Recommendation 3. Nonconcurrence.

Legislature of American Samoa Response. The Legislature did not concur with our recommendation to establish a joint standing committee of the Senate and the House to periodically review and report on the maintenance and renovation needs of the Legislature's facilities. Instead, the Legislature stated that this oversight function could be more effectively administered by the Legislative Financial Officer.

Office of Inspector General Reply. We consider the Legislature's suggestion of having the Legislative Financial Officer, rather than a standing committee of the Senate and the House, maintain oversight of the renovation and repair needs of the Legislature to be an acceptable alternative corrective action. Therefore, the Legislature should provide the additional information requested in Appendix 5.

Recommendation 4. Nonconcurrence.

Legislature of American Samoa Response. The Legislature did not concur with our recommendation to amend the Rules of both the Senate and the House to require the Department of Public Works to manage and inspect all renovation and construction work on Legislature's buildings. The Legislature stated that since managing and inspecting all renovation and construction work on the buildings was already required by existing law, it would be more appropriate to include these duties as part of the procedures to be developed in response to Recommendation A. 1.

Office of Inspector General Reply. We consider the Legislature's suggestion of including the requirement that the Department of Public Works should provide supervision and inspection of renovation and construction work on Legislature buildings in the procedures to be developed in response to Recommendation A.1, rather than in the Rules of the Senate and the House, to be an acceptable alternative corrective action. Therefore, the Legislature should provide the additional information requested in Appendix 5.

General Comments on Finding

In its response to the draft report, the Legislature stated that it is "somewhat misleading" to criticize the Legislature for expanding the renovation project. The Legislature also stated

that the \$1.6 million cost was justified because the Legislature buildings were restored to their "original building features." In addition, the Legislature stated that the project was implemented with little advance planning but that a "desperate effort" was needed to save the Legislature buildings. Lastly, the Legislature included in its response a schedule showing that appropriations for the renovation project were overexpended by only \$90,759.

We do not agree that obtaining the services of a contractor under the emergency procurement provisions of the American Samoa Code to re-shingle the roof of the Senate and House Chambers justifies the expansion of the project to include major renovation work on other Legislature buildings. Further, because the Legislature stated that the Legislature facilities received extensive damage from two hurricanes in the "early 90s" and the Legislature's October 19, 1994, letter to the Chief Procurement Officer stated that the "building desperately needed a reroofing job since 1991," we believe that sufficient time existed, prior to October 1994, for the Legislature to properly plan for the overall project and procure the needed contractual services using competitive procedures. Additionally, once the full extent of the necessary repair work was determined, even after the October 1994 letter, the Legislature could have taken action to procure contractual services for the entire expanded scope of the project on a competitive basis rather than expanding the project on a piecemeal basis through contract change orders.

With regard to the Legislature's schedule that it said shows "total alleged, supposed overexpenditures" of \$90,759 for the renovation project, the Legislature's computations are incorrect in that the schedule (1) uses the original contract change order amounts, which totaled \$8,275 more than the amounts actually paid to the contractor, and (2) does not include the \$524,387 cost of construction materials purchased by the Procurement Office on behalf of the Legislature. A year-by-year summary of the appropriations and actual expenditures related to the renovation project are presented in Appendix 2. As of the date of completion of our audit, the project had cost \$211,025 more than the funds made available by the Legislature for the project. If we were to include the \$395,846 still owed the contractor (as the Legislature did in its schedule), the total cost overrun would have been \$606,871.

CLASSIFICATION OF MONETARY AMOUNTS

| <u>Finding Areas</u> | <u>Funds To Be Put To Better Use*</u> |
|------------------------------------|---|
| A. Procurement | |
| Contractor Services | \$244,275 |
| Roofing Materials | 20,036 |
| B. Project Planning and Management | |
| Project Planning | |
| Contract Change Orders | 757,363 |
| Cost Overrun | <u>211,025</u> |
| Total | <u><u>\$1,232,699</u></u> |

*.Amounts represent local funds.

**STATUS OF FUNDS FOR THE
LEGISLATURE RENOVATION PROJECT -
OCTOBER 31, 1994, TO OCTOBER 31, 1997**

| Col. 1 | Col. 2 | Col. 3 | Col. 4 | Col. 5 (Cols. 2+3+4) | Col. 6* | Col. 7** | Col. 8* (Col. 6-7) Total Expenditures and Advances | Col. 9 (Col. 5 - 8) Ending Balance |
|----------------|----------------------|----------------------------------|--|--------------------------|-----------------------|------------------------------|--|---|
| Fiscal Year | Beginning Balance | Appropriations For Renovation | Transfers within the Legislature | Total Funds Available | Total Expenditures | Advances to Contractor | | |
| 1995 | 0 | \$300,000 | \$1 15,000 | \$4 15,000 | \$467,187 | 0 | \$467,187 | (\$52,187) |
| 1996 | (\$52,187) | 550,000 | 0 | 497,813 | 818,787 | 0 | 818,787 | (320,974) |
| 1997 | (320,974) | 450,000 | 0 | 129,026 | 211,267 | \$50,000 | 261,267 | (132,241) |
| 1998 | (132,241) | <u>0</u> | <u>0</u> | (132,241) | <u>28,784</u> | <u>50,000</u> | <u>78,784</u> | (211,025) |
| TOTAL | | <u>\$1,300,000</u> | <u>\$1,000</u> | | <u>\$1,526,025</u> | <u>\$100,000</u> | <u>\$1,626,025</u> | |

*The amounts shown in Columns 6 and 8 include 5524,387 of construction materials purchased by the Procurement Office. However, because the \$395,846 balance (\$495,846 minus \$100,000 advance payment) due on the December 11, 1996, invoice has not been paid, the \$395,846 is not included as an expenditure.

**The two \$50,000 payments were advances to the roofing contractor against the \$495,846 invoice submitted on December 11, 1996.

**SCOPE AND COST OF WORK FOR THE
LEGISLATURE RENOVATION PROJECT -
OCTOBER 31, 1994, TO OCTOBER 31, 1997**

| Contract Change Order No. | Date Issued | Contract Change Order Amount | Amount Paid | Description |
|------------------------------|----------------|---------------------------------|--------------------|--|
| Initial Contract | 10/31/94 | 578,000 | \$78,000 | To replace the shingles on the Senate and House Chambers. |
| 001-95 | 07/20/95 | <u>166,275</u> | <u>166,275</u> | To repair the roof on the Senate and House Chambers (the roof apex, beams, and decking). |
| | | <u>\$744,275</u> | <u>\$244,275</u> | Subtotals (initial roofing contract and related Change Order 001) |
| 002-95 | 09/25/95 | 53,000 | 44,725 | To repair the roofs on the Guest Fale and Senate Office Building. |
| 003-95 | 12/06/95 | 67,000 | 67,000 | To renovate the interior and exterior of the Guest Fale and the exterior and portions of the interior of the Senate Office Building. |
| 00-J-96 | 01/31/96 | 19,888 | 19,888 | To renovate the coffee room and restrooms of the Senate Office Building and to repair the roofs of the covered walkways and House Coffee Fale. |
| 005-96 | 04/08/96 | 185,000 | 185,000 | To cover the cost of labor and materials to replace the outside wall and ongoing interior renovation of the Senate and House Chambers (per contractor Invoices 111, 417, and 419). |
| 006-96 | 05/17/96 | 80,000 | 80,000 | To cover the cost of labor and materials to replace the outside wall and ongoing interior renovation of the Senate and House Chambers (per contractor Invoice 654). |
| 007-96 | 07/09/96 | 158,000 | 158,000 | To cover the cost of labor and materials to replace the outside wall and ongoing interior renovation of the Senate and House Chambers (per contractor Invoice 154). |
| 008-96 | 08/22/96 | <u>180,000</u> | <u>180,000</u> | To cover the cost of labor and materials to replace the outside wall and ongoing interior renovation of the Senate and House Chambers (per contractor Invoice 655). |
| | | \$742,888 | \$734,613 | Subtotals (additional work based on Change Orders 002-008) |
| | | <u>22,750</u> | <u>22,750</u> | House Coffee Fale (direct payments to contractor based on invoices) |
| | | <u>9765,638</u> | <u>\$757,363</u> | Subtotals (expansion of renovation project) |
| | | <u>\$1,009,913</u> | <u>\$1,001,638</u> | Grand Totals (entire renovation project) |



AMERICAN SAMOA GOVERNMENT
PAGO PAGO, AMERICAN SAMOA 96799
LEGISLATURE OF AMERICAN SAMOA

In reply refer to:

July 09, 1998

Honorable Robert J. Williams
Acting Inspector General
Office of Inspector General
U.S. Department of the Interior
Washington, D.C. 20240

Subject: Official Response of the Legislature of
American Samoa on the Draft Audit Report
No. N-IN-AMS-006-97, Office of Inspector
General

Dear Mr. Williams:

We wish to acknowledge receipt of your draft audit report dated May 1998, on the Legislature Renovation Project. Although we concur with some of the findings and recommendations, we nevertheless disagree with the majority of your report and findings.

This is our official response to your audit findings. The report has offered us an opportunity to revisit former Legislature leader's perseverance and determination.

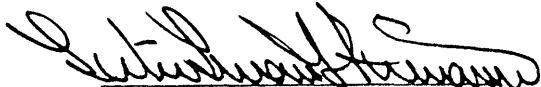
The Audit Report indicated that the Legislature did "not" use funds for the renovation project effectively and efficiently. It further questioned whether the Legislature received full value of the money spent on the project.

On the contrary, the Legislature fully enjoys its newly renovated buildings. It has provided a safe and better working environment for everyone. The project also adds another 5 to 10 years of useful life to these old deteriorated buildings. It further removes an emotional and physical hardship experienced by Legislature leaders because of damages sustained from these leaky buildings, which are over 20 years old.


Page 2
July 09, 1998
Honorable Robert J. Williams

Finally, this year marks the first anniversary of the renovation project's success. It is time to reflect where the Legislature would have been housed without the bold, brave and expedient decision by our former leaders to *renov-*ate Legislature buildings.

Respectfully,



LUTU T.S. FUIMAONO
President of the Senate
Legislature of American Samoa
Pago Pago, American Samoa



MA'ILO SAOLUAGA T. NUA
Speaker of the House of Representatives
Legislature of American Samoa
Pago Pago, American Samoa

LEGISLATURE OF AMERICAN SAMOA

Legislature Renovation Project

Official Response

Background

The three most important factors behind the former President and Speaker's decision to immediately renovate Legislature buildings were: (1) to protect the lives, health, welfare and public safety. (2) to save money which the American Samoa Government requires to construct new Legislature Buildings (3) to preserve the most unique Samoan architectural design as depicted on buildings which housed the Legislature of American Samoa.

The buildings were designed specifically to remind future generations of American Samoa on the type of house used by our forefathers. The buildings sustained extensive damages to the roofs, interior and exterior walls, and main beams – exposing electrical wiring components by two previous devastating hurricanes-Ofa and Val in the early 90's.

In addition, the Legislature lost over \$200,000 worth of computers, expensive office equipments, materials and supplies because of water leaks through the roof. It continually disrupted normal working conditions, let alone the effort made to constantly replace drywall boards and ceiling lights in both Chambers. As you can see, the former President and Speaker were confronted with these problems and unusual circumstances, which resulted with "expediency". As the only solution in preventing further deterioration and condemnation of Legislature buildings.

FEM.4 offered some temporary relief only because the buildings were covered under American Samoa Government's property' insurance. As of the date of this writing the insurance's liability has not yet settled. Further, Leaders of the Legislature were always under the presumption that the Department of Public Works has the obligation to maintain all government buildings and equipments.

Immediately after the second Legislative sessions of 1994, the former leaders of the Legislature of American Samoa decided that talking is enough – it was time for actions. The former President of the Senate ordered the Legislative Finance Officer to request the Department of Public Works to perform a survey/inventory of Legislature's buildings. Specifically, the Chambers Building. Public Works findings and recommendations were to condemn the building and do replacement because the structural damages were beyond repaired.

The former President told Public Works' Engineers that the government has no money for a new building, then scolded them out of his office, and ordered the LFO to find funds for the renovation. Since the beginning of the renovation project, there has

been much controversy over the funding and management of the project. Subsequently, this audit eventually ensued.

STATEMENT OF FACTS

There has been a great divergence of facts as recited by the auditor and those he interviewed, but this much would appear to be relatively clear and undisputed:

During the early stage of the Legislature's Renovation Project, Former Leaders of the Legislature on October 19, 1994 requested the Chief Procurement Officer for a Waiver of The American Samoa Procurement Rules requiring competitive bidding on contractor hiring.

On November 4, 1994, the Governor of American Samoa approved the waiver and invoked the "emergency procurement provisions, * of the American Samoa code Annotated.

On November 14, 1994, the contractors began roof repairs. Once the rotten shingles were removed and exposed the rotted beams, the roof apex, and the decking, the Legislature under necessity expended the scope of work. It forced the Legislature to issue a series of change orders and appropriated more funds to cover additional work. Furthermore, the Samoan Guest house, Senator's office building, coffee house for Representatives, and walkways to the main office building were added to the renovation list.

All the Legislature buildings covered under the Renovation Project are standing tall for their first anniversary with the Chamber Building estimated useful life to last for at least another 10 to years, and the Guest Fale's marble floor shall last for a lifetime.

Used of "Emergency Procurement Provisions" was not contrary to Government Policy

In essence, the Chief Executive 3rd Legislature leaders have always recognized past trend of indifference in both attitude and performance towards the Legislature of American Samoa. Fortunately, the former Governor put aside these indifferences and invoked the emergency Procurement provisions under the American Samoa Code Annotated to assist Legislature Leaders in this project. The Chief Executive seldom used this emergency procurement provision, he nevertheless used it sparingly and wisely on this situation. This is evident in his letters 3rd directives to the Chief Procurement Officer and Legislature Leaders.

The former President of the Senate was an old sage. He reasoned that a grave and urgent need for an ample Chambers' space, rental and relocation costs for Legislative sessions, the supporting units and office equipment, parking spaces, and let alone the prohibitive cost of a new Chambers Building, has left him with no choice but renovation. And his only selected solution available under the law is--to request the use of the Emergency Procurement process.

Cost

The initial labor cost of the Renovation Project was \$78,000; materials were to be purchased through the Procurement Office. This arrangement went well on papers. However, the work was interrupted constantly because the Government did not have money to pay materials from some private vendors. This problem caused construction delays and eventually forced Legislature leaders to write the former Governor on March 5, 1996, allowing the contractor to supply building materials.

It is somewhat misleading by many critics that this \$78,000 project has eventually ended-up costing the Government 1.6 million. Yes, the \$78,000 labor cost was for re-roofing of one Chamber Building. However, the project was extended to include new roof for the Senate office building, new remodel Samoa Guest Fale (house) with marble floor, new walkways, new roof for the House Coffee Shop, and cement non-slippery outside walkways.

Further, it is important to know that the work called for the renovation to be done piece by piece and exactly like the original building features. The only changes made by the Contractor were: new designed walkways, outside carpet to a cinder-cement non-slippery, walkway, plumbing system, and Guest Fale Marble floor. These additional proposed scope of works required time and precision. The extra works were paid for from a series of change orders cited in the audit report.

Compare the \$1.6 million total cost for the Renovation as envisioned by the former President to a near reality estimates of \$5 to \$10 millions for a new Chambers Building as recommended by Public Works engineers, plus relocation, time and inconvenience. We believe that we made a right and less expensive choice- renovation over a new building.

Conclusion

To implement a project with little advance planning and urgency in nature, mistakes are bound to happen. We confess that mistakes were made by former leaders in their desperate effort to save Legislature Buildings. These mistakes are part of our daily lives. It is a price leaders pay in making difficult decisions. As leaders, we are constantly faced

with challenges, which forced ourselves to make difficult decisions. This is not a question of whether difficult decisions shall be rendered but a lesson learned from the consequences.

Initially, a former speaker got involved in the procurement of shingles which duplicated roofing materials ordered by the Procurement Office. This was an error in judgement created by a verbal mis-communication between the former Speaker and Governor. Although the confusion made headline news, it turned out in favor of the Legislature. This extra order of shingles was used to re-roof other buildings not covered in the original renovation plan.

Finally, we learned a lot from this unprecedented Renovation Project of the Legislature. This lesson has surfaced a need to create an official unit under the Legislative Financial Office to specifically address Legislature's maintenance program, stream line standard operation procedures, identify all related Government agencies that deal with construction projects, and identify source of fundings for all Legislature projects. These responsibilities and needs will be identified, and outlined in recommendation #1.

LEGISLATURE OF AMERICAN SAMOA
Legislature's Renovation Project
Activity Name: Scope of Work and Cost Allocation Statement
October 31, 1994 to October 31, 1997

Legislature Renovation Project:

| | |
|----------------------------|----------------|
| Total Appropriations | \$ 1,415,000 |
| (a) 1995.. | \$ 415,000 |
| (b) 1996 | 550,000 |
| (c) 1997 | <u>450,000</u> |

Cost Allocation:

(1) Chambers Building Restoration:

| | |
|---|--------------------|
| (a) restoring shingles of roof | \$ 78,000 |
| (b) restoring roof apex, decking & beams | 166,275 |
| (c) total labor and materials for complete restoration of the interior, exterior, plumbing and electrical systems | <u>1,098,846</u> |
| | <u>\$1,343,121</u> |
| . Less unpaid balance of final invoice (\$495,846 - 100,000) | <u>395,846</u> |

947,275

(2) All other Buildings Renovation:

| | |
|---|---------------|
| (a) roof repairs of Senate office buildings and Guest Fale | \$ 53,000 |
| (b) renovate interior & exterior of Guest Fale and Senate building | 67,000 |
| (c) renovation of Senate office building, lounge\coffee room, restrooms and repair roofs of covered walkways | 19,888 |
| (d) renovate House coffee fale , furnishings, new restrooms and covered roof walkways | <u>22,750</u> |

162,638

1,109,913

\$ 305,087

| | | |
|--|-------|--------------|
| . Unpaid balance of final invoice | | \$ (395,846) |
| . * Total alleged, supposed overexpenditures | | (90,759) |

RECOMMENDATIONS/RESPONSE

- (1) Develop and implement written procedures to ensure that all procurements are made in accordance with the American Samoa Code Annotated.**

Response: Concurrence.

Completion Date: December 31, 1998.

Responsible Official: Legislative Financial Officer

- (2) Amend the Rules of both the Senate and House to establish a joint committee for the purpose of periodically identifying the renovation and repair needs of the Legislature's facilities:**

Response: Nonoccurrence.

Reasons: Politicians shall be kept out of non-political duties. It is evident that the Legislature buildings should have never gotten into this rotten situation if a section or office, within the Legislature was charged with a responsibility of identifying maintenance and repair needs. We believe that a joint committee of both chambers cannot adequately provide this assistance. With constant turn-over of elected officials and short session days (45 per session) required bi-annually, a joint committee recommendation may not be a best solution. In place, a section will be added under the Legislative Financial Office to deal directly with all Legislature properties, procurement, new construction, repairs, renovation, and preventing maintenance. A Legislative Financial Officer must prepare an annual report to the President and Speaker with regards to Legislature's maintenance, repair and renovation needs. This report should include estimate costs, work plan, and funding source.

- (3) ***Request that the Director of the Department of Public Works review the most recent invoice submitted by the contractor to determine whether it is reasonable and reflects the costs incurred by the contractor for the renovation of the Senate and House Chambers.***

Response: Concurrence.

Date: September 31, 1998 before FYI 999.

***Responsible Official: Director of Public Works
Procurement Officer
Legislative Financial Officer.***

- (4) ***Amend the Rules of both the Senate and House to require all Legislature renovation and construction work to be managed and inspected by the Department of Public Works.***

Response: Non-concurrence.

Reasons: This is a duplication of effort because all government construction works, repairs, and renovation jobs must be inspected by the Department of Public Works. This policy also covered all works of the Legislature. This inspection requirement will be outline in written procedures as recommended in #1.

- (5) ***Request that the Director of Public Works to inspect the renovated Legislature facilities to determine whether the construction work is in compliance with the American Samoa Uniform Building Code.***

Response: Concurrence.

Time: September 31, 1998.

***Responsible Officials: Director of Public Works
Legislative Financial Officer***

STATUS OF AUDIT REPORT RECOMMENDATIONS

| Finding/Recommendation Reference | Status | Action Required |
|-------------------------------------|--|--|
| A.1 | Resolved; not implemented. | The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. However, when completed, a copy of the written procedures should be provided to our office. |
| B.1 | Resolved; not implemented. | The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. However, when completed, a copy of the Department of Public Works cost analysis of the final invoice should be provided to our office. |
| B.2 | Resolved; not implemented. | The recommendation will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. However, when completed, a copy of the Department of Public Works inspection report should be provided to our office. |
| B.3 | Management concurs; additional information needed. | Provide the target date and the title of the official responsible for submitting legislation to amend the law establishing the Legislative Financial Officer to make that official responsible for the oversight of the building renovation and repair needs of the Legislature. |

| <u>Finding/Recommendation Reference</u> | <u>Status</u> | <u>Action Required</u> |
|---|--|---|
| B.4 | Management concurs; additional information needed. | Provide the target date and the title of the official responsible for developing and implementing new procedures to ensure that the Department of Public Works is involved in the supervision and inspection of renovation and construction work for Legislature buildings. |

ILLEGAL OR WASTEFUL ACTIVITIES
SHOULD BE REPORTED TO
THE OFFICE OF INSPECTOR GENERAL BY:

Sending written documents to:

Calling:

Within the Continental United States

U.S. Department of the Interior
Office of Inspector General
1849 C Street, N.W.
Mail Stop 5341 —
Washington, D. C. 20240

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